

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-10 SAJ-01 ACDA-05 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 EB-07 INR-07 NSAE-00 FAA-00

PM-03 H-02 L-02 NSC-05 PA-01 PRS-01 SP-02 SS-15

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R 201554Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8812

INFO USMISSION USBERLIN

AMEMBASSY LONDON

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USMISSION NATO BRUSSELS

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E.O. 11652: N/A

TAGS: PFOR, EAIR, WB, US, UK, GW, FR

SUBJECT: IGS ROUTE DIVISION

REF: A. STATE 52354 B. BONN 3869 C. BONN 4032

1. WE HAVE INFORMED UK CAA AND BONN GROUP REP THAT THE
USG IS NOW PREPARED TO APPROVE THE ROUTE SWAP AND WOULD
HOPE TO MOVE QUICKLY TO EARLY BCATAG CONSIDERATION AND
IMPLEMENTATION. DURING SEVERAL DISCUSSIONS ON TACTICS
THE BRITISH HAVE INDICATED THAT THE HMG HAS LIKEWISE CON-
CURRED IN THE SWAP BUT BELIEVES THAT THE FARE INCREASE
APPLICATION SHOULD BE HANDLED FIRST.

2. UK CAA GROVES ARGUES THAT IT WOULD BE RISKY TO GO TO
BCATAG FOR A DISCUSSION OF THE RATIONALIZATION PLAN BE-
FORE WE ARE IN A POSITION TO MOVE ON THE FARE INCREASE
APPLICATION SINCE AN EXAMINATION OF THE ROUTE SWAP IN
ISOLATION COULD LEAD THE GERMANS TO ARGUE THAT WE SHOULD
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FIRST IMPLEMENT THE RATIONALIZATION PLAN AND WAIT TO SEE

WHAT IMPACT IT WOULD HAVE ON THE CARRIER'S FINANCIAL POSITION BEFORE TAKING ACTION ON FARES. THE BRITISH HERE WOULD, THEREFORE, FAVOR MOVING AHEAD WITH THE FARE INCREASE PROPOSAL FIRST, EVEN THOUGH THIS COULD CAUSE SEVERAL WEEKS DELAY, SINCE IT NOW APPEARS THAT PAA'S REVISED DATA WILL NOT BE AVAILABLE UNTIL THE 24TH OF MARCH.

3. WE POINTED OUT THAT BASED ON THE PRELIMINARY ESTIMATES THAT WE HAVE HAD FROM PAA WE WOULD NOT BE AT ALL SURPRISED IF THE REVISED DATA SUGGESTED THAT SOME RECONSIDERATION OF THE CARRIER'S FARE INCREASE APPLICATION WAS REQUIRED. IF THIS TURNED OUT TO BE THE CASE WE COULD ENVISAGE A NEED FOR BA AND PAA TO GET TOGETHER AGAIN IN ORDER TO WORK OUT A NEW FARE PROPOSAL. GROSS REITERATED THE BRITISH VIEW THAT BA WOULD NEED BOTH THE ROUTE DIVISION AND A 7.9 FARE INCREASE, SINCE THE LATTER WAS BASED IN MAJOR PART ON UNCOVERED 1974 COSTS. HE RECOGNIZED, HOWEVER, THAT A REVIEW OF THE FARE ISSUE BY CAA'S AND PERHAPS THE CARRIERS MIGHT WELL BE NECESSARY. HE, NONETHELESS, CONTINUES TO FAVOR TAKING NO ACTION UNTIL THE PRESENT UNCERTAINTIES ON FARES HAVE BEEN CLEARED UP.

4. COMMENT: AS WE HAVE INDICATED BEFORE, WE ALSO WOULD TEND TO BELIEVE THAT ANY ATTEMPT TO DISCUSS THE SWAP AGREEMENT IN ISOLATION WITH THE GERMANS WOULD COMPLICATE FURTHER CONSIDERATION OF A FARE INCREASE. NONETHELESS, IF PAA'S FINANCIAL POSITION UNDER THE ROUTE DIVISION IS IN FACT AS ADVANTAGEOUS AS IMPLIED BY THE PRELIMINARY ESTIMATES WE HAVE SEEN, IT COULD WELL BE IN PAA'S INTEREST TO PRESS AHEAD WITH CONSIDERATION OF THE SWAP LEAVING THE FARE QUESTION FOR LATER TREATMENT. A COMPROMISE APPROACH VIS-A-VIS THE BRITISH MIGHT BE TO WAIT UNTIL WE CAN DEMONSTRATE FROM A FIRST READING OF THE NEW DATA THAT RECONSIDERATION OF THE FARES WOULD BE REQUIRED. SHOULD THIS TURN OUT TO BE THE CASE, AS WE BELIEVE IT WILL, WE COULD THEN PRESS THE BRITISH TO AT LEAST MOVE AHEAD ON THE ROUTE DIVISION SINCE BOTH CARRIERS ARE OBVIOUSLY INTERESTED IN ITS EARLY IMPLEMENTATION.

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5. THE ABOVE WAS DRAFTED BEFORE RECEIPT OF STATE 60411. WE WILL BE CONSULTING WITH THE BRITISH ON THEIR POLITICAL PRESENTATION PROPOSAL ON MARCH 20 AND WILL REITERATE OUR PREFERENCE FOR MOVING AHEAD ON THE SWAP AGREEMENT.

HILLENBRAND.

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